

Message Text

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ACTION EUR-12

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SUBJECT: TURKEY CONSORTIUM

REF: OECD PARIS 13796

1. CONSORTIUM CHAIRMAN GIEL BRIEFED MISSION OFFICER ON HIS PRELIMINARY THINKING CONCERNING FUTURE CONSORTIUM ACTIVITY. GIEL SAID THAT WHEN TURKISH REP (AITUR) INFORMED HIM OF GOT'S DESIRE TO POSTPONE INFORMAL CONSORTIUM SESSION, WHICH HAD PREVIOUSLY BEEN SCHEDULED WITH AITUR'S OK FOR MAY 17, HE NOTED DIFFICULTY OF CURRENT GOVERNMENT DISCUSSING ITS ECONOMIC PROBLEMS IN MULTILATERAL FORUM JUST BEFORE ELECTION. GIEL SAID AITUR SEEMED EMBARRASSED TO HAVE ONCE AGAIN TO DELAY CONSORTIUM ACTIVITY, BUT AITUR NOTED NEW GOVERNMENT WILL HAVE TO ADDRESS ECONOMIC DIFFICULTIES AND ESPECIALLY B/P SITUATION RIGHT AFTER ELECTION, AND POSSIBILITY OF RENEWED ROLE FOR CONSORTIUM WOULD HAVE TO BE CONSIDERED. AITUR AND GIEL THOUGHT THERE MIGHT BE A ROLE FOR CON-

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SORTIUM TO PLAY IN ENCOURAGING FLOW OF MEDIUM-TERM RESOURCES TO TURKEY, AND THEY WILL CONSULT EACH OTHER AFTER ELECTION.

2. GIEL AND CONSORTIUM SECRETARY KUEHN WILL VISIT WASHINGTON WEEK OF JUNE 6. MAIN PURPOSE OF VISIT IS TO CONSULT IMF (THEY HAVE MET WITH IMF OFFICE HERE),

ESPECIALLY WITH REGARD TO B/P CRUNCH THEY SEE COMING, BUT THEY ALSO WOULD ALSO APPRECIATE OPPORTUNITY TO DISCUSS TURKISH ECONOMIC SITUATION AND THEIR PLANS FOR CONSORTIUM WITH USG OFFICIALS. MISSION SUGGESTS APPOINTMENTS ALONG LINES THOSE MADE FOR THEIR LAST VISIT BE SCHEDULED, AND THAT APPOINTMENTS WITH TREASURY ALSO BE INCLUDED. THEY WILL BE FREE JUNE 8, 9 AND 10, AND THEY SUGGEST DEPARTMENT CONTACT WOODWARD IN IMF WASHINGTON WHO WILL BE COORDINATING THEIR SCHEDULE.

3. GIEL PLANS TO DISCUSS HIS THOUGHTS ON FUTURE CONSORTIUM ACTIVITY WITH GERMAN OFFICIALS IN BONN NEXT WEEK. BROADLY SPEAKING, GIEL SEES IMF COORDINATING SHORT-TERM MEASURES TO EASE TURKISH B/P SITUATION WHILE CONSORTIUM LOOKS INTO POSSIBILITIES OF INCREASING FLOW OF MEDIUM-TERM FUNDS TO TURKEY. GIEL FEELS NEW GOVERNMENT WILL HAVE TO CONSULT IN EARNEST WITH IMF RIGHT AFTER ELECTION TO ARRANGE FOR FURTHER CREDIT TRANCHE. HE SAID GOT WILL ALSO HAVE TO ABANDON ITS NOTION THAT CONSORTIUM EXISTS ONLY TO FACILITATE ODA TRANSFERS SINCE DONORS SEEM HAVE NO PLANS TO PROVIDE ODA AT PREVIOUS HIGH LEVELS. GIEL WOULD LIKE TO INVESTIGATE SCOPE FOR CREDITOR GOVERNMENT ACTIONS TO INCREASE FLOW OF OFFICIAL AND GUARANTEED PRIVATE EXPORT CREDITS AND TO FACILITATE FURTHER ACCESS TO CAPITAL MARKETS. HE ALSO HINTED THAT CREDITOR GOVERNMENTS MIGHT LOOK AT POSSIBILITIES FOR RESCHEDULING. MISSION OFFICER REMINDED GIEL OF USG POLICY TOWARD DEBT RESCHEDULING AND DISCOURAGED HIS PURSUING THAT PARTICULAR OPTION. GIEL FELT THAT AFTER HIS CONSULTATIONS IN BONN LIMITED OFFICIAL USE

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AND WITH IMF, HE WOULD BE ABLE TO OUTLINE HIS THOUGHTS IN MORE DETAIL TO WASHINGTON OFFICIALS.

4. IF GIEL HAS MORE TO REPORT AFTER HIS TRIP TO BONN, WE WILL INFORM DEPARTMENT. WOULD APPRECIATE INFO ON SCHEDULED APPOINTMENTS NLT WEDNESDAY, JUNE 1, SO WE CAN INFORM GIEL AND KUEHN BEFORE THEY DEPART FOR U.S. KATZ

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